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REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

2015 FINANCIAL HIGHLIGHTS

- Contracted sales for the year amounted to RMB4,056.9 million, representing a year-on-year increase of 27.0% as compared with 2014.
- Profit for the year attributable to equity holders of the Company increased by 15.5% to RMB401.0 million;
- Revenue for the year amounted to RMB3,378.2 million, representing a year-on-year decrease of 3.6% as compared with 2014.
- Return on average attributable equity at 19.0% as at 31 December 2015.
- Total land bank amounted to approximately 3.8 million. sq.m. as at 31 December 2015.
- Cash and cash equivalents as at 31 December 2015 amounted to RMB1,689.1 million, net gearing ratio was 23.0% as at 31 December 2015.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2015 with comparative figures for the preceding financial year, are as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(Restated)</i>
Revenue	3	3,378,217	3,502,804
Cost of sales	4	<u>(2,289,971)</u>	<u>(2,556,547)</u>
Gross profit		1,088,246	946,257
Other gains/(losses), net		31,533	(20,316)
Selling and marketing expenses	4	(109,601)	(82,821)
General and administrative expenses	4	(169,929)	(123,948)
Impairment of goodwill		<u>(26,584)</u>	<u>(24,730)</u>
Operating profit		813,665	694,442
Finance income	5	15,147	17,243
Finance costs	5	<u>(3,396)</u>	<u>(2,850)</u>
Finance income, net		<u>11,751</u>	<u>14,393</u>
Share of loss of a joint venture		<u>(4,145)</u>	<u>(5,295)</u>
Profit before income tax		821,271	703,540
Income tax expense	6	<u>(427,622)</u>	<u>(325,844)</u>
Profit for the year		<u>393,649</u>	<u>377,696</u>
Attributable to:			
Equity holders of the Company		401,030	347,203
Non-controlling interests		<u>(7,381)</u>	<u>30,493</u>
		<u>393,649</u>	<u>377,696</u>
Earnings per share for profit attributable to equity holders of the Company			
- Basic and diluted (expressed in RMB cents per share)	9	<u>24.53</u>	<u>22.14</u>
Dividends	10	<u>—</u>	<u>64,000</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>393,649</u>	<u>377,696</u>
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss		
- Exchange differences arising on translation of functional currency to presentation currency	<u>(141,641)</u>	<u>(60,000)</u>
Total other comprehensive loss	<u>(141,641)</u>	<u>(60,000)</u>
Total comprehensive income for the year	<u><u>252,008</u></u>	<u><u>317,696</u></u>
Attributable to:		
- Equity holders of the Company	260,144	287,209
- Non-controlling interests	<u>(8,136)</u>	<u>30,487</u>
Total comprehensive income for the year	<u><u>252,008</u></u>	<u><u>317,696</u></u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015**

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		36,178	17,424
Goodwill		49,535	70,761
Interest in a joint venture		165,231	178,329
Deferred income tax assets		<u>58,445</u>	<u>32,667</u>
		<u>309,389</u>	<u>299,181</u>
Current assets			
Completed properties held for sale		1,237,046	1,142,338
Properties under development for sale		7,218,874	5,090,627
Trade and other receivables, deposits and prepayments	7	1,788,400	1,468,741
Amounts due from non-controlling interests		158,615	168,824
Income tax recoverable		125,398	94,228
Restricted cash		668,759	355,443
Cash and cash equivalents		<u>1,689,142</u>	<u>951,480</u>
		<u>12,886,234</u>	<u>9,271,681</u>
Total assets		<u>13,195,623</u>	<u>9,570,862</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		139,632	125,808
Reserves		<u>2,383,306</u>	<u>1,569,019</u>
		2,522,938	1,694,827
Non-controlling interests		<u>370,760</u>	<u>346,647</u>
Total equity		<u>2,893,698</u>	<u>2,041,474</u>

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings, secured		2,750,027	2,152,224
Deferred income tax liabilities		<u>183,943</u>	<u>114,090</u>
		2,933,970	2,266,314
Current liabilities			
Trade and other payables	8	2,990,763	1,894,932
Bank borrowings, secured		470,513	609,220
Amounts due to non-controlling interests		349,900	749,458
Amounts due to a related party		161,109	5,000
Receipts in advance		2,949,214	1,679,121
Income tax liabilities		<u>446,456</u>	<u>325,343</u>
		7,367,955	5,263,074
Total liabilities		<u>10,301,925</u>	<u>7,529,388</u>
Total equity and liabilities		<u>13,195,623</u>	<u>9,570,862</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Redco Properties Group Limited was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in property development business in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.1.1. Amended standards and interpretations adopted by the Group

The following amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015 and none of them has material impact on the Group:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010 — 2012 cycle
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011 — 2013 cycle

In addition, the disclosure requirements of the revised Listing Rules of the SEHK came into effect from 31 December 2015. Amongst these, the Listing Rules require financial statements to comply with Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. disclosure 622) and its supporting Regulations that came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.1.2. *New and amended standards not yet adopted by the Group*

Up to the date of issue of this announcement, the HKICPA has issued the following new and amended standards and which are relevant to the Group's operations but are not yet effective for the annual accounting period beginning on 1 January 2015 and which have not been early adopted by the Group:

HKAS 1 (Amendment)	Disclosure initiative ⁽¹⁾
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements ⁽¹⁾
HKFRS 9	Financial Instruments ⁽²⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ⁽³⁾
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception ⁽¹⁾
HKFRS 11 (Amendment)	Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operation ⁽¹⁾
HKFRS 14	Regulatory Deferral Accounts ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012 - 2014 cycle ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2016.

⁽²⁾ Effective for the Group for annual period beginning on 1 January 2018.

⁽³⁾ Effective date to be determined.

The Group has completed an assessment of the impact of the above new and amended standards that became effective since 1 January 2016 and in the process of assessing the impact of others and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new and amended standards when they become effective.

2.1.3 *Comparative figures*

The Group adopts the classification of the following financial statement items in the consolidated income statement with effect from 1 January 2015:

Exchange differences had been included in “other gains/(losses), net”. Comparative figure of losses of approximately RMB17,870,000 which had been included in “general and administrative expenses” in prior year’s financial statements have been reclassified to “other gains/(losses), net”.

3 **Revenue and segment information**

The Executive Directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group’s internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assesses the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. “Others” segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal and external customers) and investment holdings businesses.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of loss of a joint venture, finance income, finance costs and income tax expense from the operating segments. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

	Greater Western Taiwan Straits Economic Zone <i>RMB'000</i>	Central and Western Regions <i>RMB'000</i>	Bohai Economic Rim <i>RMB'000</i>	Pearl River Delta Region <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2015						
Total revenue	1,899,987	599,452	861,037	—	48,994	3,409,470
Less: Inter-segment revenue	—	—	—	—	(31,253)	(31,253)
Revenue (from external customers)	<u>1,899,987</u>	<u>599,452</u>	<u>861,037</u>	<u>—</u>	<u>17,741</u>	<u>3,378,217</u>
Segment results	605,514	137,807	187,691	(31,595)	(77,195)	822,222
Depreciation	<u>(1,376)</u>	<u>(641)</u>	<u>(2,878)</u>	<u>(847)</u>	<u>(2,815)</u>	<u>(8,557)</u>
Operating profits/(losses)	604,138	137,166	184,813	(32,442)	(80,010)	813,665
Share of loss of a joint venture	(4,145)	—	—	—	—	(4,145)
Finance income	8,836	1,274	1,399	477	3,161	15,147
Finance costs	—	—	—	—	(3,396)	(3,396)
Income tax expense	<u>(247,058)</u>	<u>(74,548)</u>	<u>(61,628)</u>	<u>(479)</u>	<u>(43,909)</u>	<u>(427,622)</u>
Profits/(losses) for the year	<u><u>361,771</u></u>	<u><u>63,892</u></u>	<u><u>124,584</u></u>	<u><u>(32,444)</u></u>	<u><u>(124,154)</u></u>	<u><u>393,649</u></u>

	Greater Western Taiwan Straits Economic Zone <i>RMB'000</i>	Central and Western Regions <i>RMB'000</i>	Bohai Economic Rim <i>RMB'000</i>	Pearl River Delta Region <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2014						
Total revenue	1,604,327	715,864	1,208,713	—	11,430	3,540,334
Less: Inter-segment revenue	<u>(26,100)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,430)</u>	<u>(37,530)</u>
Revenue (from external customers)	<u>1,578,227</u>	<u>715,864</u>	<u>1,208,713</u>	<u>—</u>	<u>—</u>	<u>3,502,804</u>
Segment results	505,030	142,134	134,465	(13,688)	(68,425)	699,516
Depreciation	<u>(1,148)</u>	<u>(544)</u>	<u>(1,690)</u>	<u>(373)</u>	<u>(1,319)</u>	<u>(5,074)</u>
Operating profits/(losses)	503,882	141,590	132,775	(14,061)	(69,744)	694,442
Share of loss of a joint venture	(5,295)	—	—	—	—	(5,295)
Finance income	8,118	703	2,857	228	5,337	17,243
Finance costs	—	—	—	—	(2,850)	(2,850)
Income tax expense	<u>(192,083)</u>	<u>(52,698)</u>	<u>(35,087)</u>	<u>(1,624)</u>	<u>(44,352)</u>	<u>(325,844)</u>
Profits/(losses) for the year	<u>314,622</u>	<u>89,595</u>	<u>100,545</u>	<u>(15,457)</u>	<u>(111,609)</u>	<u>377,696</u>

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2015						
Total segment assets	4,322,212	2,402,640	3,903,785	1,826,270	736,352	13,191,259
Other unallocated corporate assets						<u>4,364</u>
Total assets						<u><u>13,195,623</u></u>
Additions to:						
Property, plant and equipment	21,755	268	2,455	227	1,238	25,943
Goodwill	<u>—</u>	<u>—</u>	<u>935</u>	<u>—</u>	<u>4,423</u>	<u>5,358</u>
Total segment liabilities	<u>(3,384,496)</u>	<u>(1,925,119)</u>	<u>(1,171,363)</u>	<u>(1,260,397)</u>	<u>(2,560,550)</u>	<u>(10,301,925)</u>
At 31 December 2014						
Total segment assets	3,584,027	1,721,712	2,551,919	1,386,674	321,063	9,565,395
Other unallocated corporate assets						<u>5,467</u>
Total assets						<u><u>9,570,862</u></u>
Additions to:						
Property, plant and equipment	2,411	937	1,474	2,324	5,012	12,158
Acquisition of properties under development for sale	<u>22,538</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,538</u>
Total segment liabilities	<u>(3,472,551)</u>	<u>(1,234,058)</u>	<u>(1,198,713)</u>	<u>(666,306)</u>	<u>(957,760)</u>	<u>(7,529,388)</u>

Breakdown of revenue

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties	2,967,976	3,502,804
Sea reclamation services	392,500	—
Property management services	<u>17,741</u>	<u>—</u>
	<u><u>3,378,217</u></u>	<u><u>3,502,804</u></u>

During the year ended 31 December 2015, the Group's revenue is concentrated on its customer in relation to sea reclamation services. Revenue recognised for this customer amounted to 11.6% of the Group's revenue.

Geographical information

Revenue by geographical location is determined on the basis of the location of sales of properties or services rendered.

Non-current assets by geographical location are determined based on the location of the relevant assets.

The Group's non-current assets are mainly located in the PRC.

4 Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Auditor's remuneration		
- Audit services	2,859	2,126
- Non-audit services	464	2,087
Cost of properties	2,086,534	2,359,463
Depreciation of property, plant and equipment	8,557	5,074
Employee benefit expenses	111,118	64,078
Entertainment	8,764	10,315
Marketing and advertising costs	76,794	66,358
Operating lease payments	1,220	1,181
Office and travelling expenses	34,224	23,971
Business taxes and surcharges	173,681	197,084
Land use and real estate taxes	6,817	3,187
Legal and professional fees	11,741	13,495
Donation	4,095	2,003
Other selling and marketing and general and administrative expenses	<u>42,633</u>	<u>12,894</u>
Total cost of sales, selling and marketing expenses and general and administrative expenses	<u><u>2,569,501</u></u>	<u><u>2,763,316</u></u>

5 Finance income and costs

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from bank deposits	<u>15,147</u>	<u>17,243</u>
Finance cost on borrowings	374,312	243,565
Less: finance cost capitalised in qualifying assets	<u>(370,916)</u>	<u>(240,715)</u>
	<u><u>3,396</u></u>	<u><u>2,850</u></u>
Weighted average interest rate on capitalised borrowings (per annum)	<u><u>9.63%</u></u>	<u><u>9.18%</u></u>

6 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC corporate income tax (“EIT”) at the rate of 25% for the year ended 31 December 2015 (2014: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2015 (2014: Nil).

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC corporate income tax	233,730	209,939
PRC land appreciation tax	149,817	87,271
Deferred income tax	<u>44,075</u>	<u>28,634</u>
	<u>427,622</u>	<u>325,844</u>

7 Trade receivables, other receivables, deposits and prepayments

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (Note a)	44,266	—
Accrued contract revenue (Note b)	<u>392,500</u>	<u>—</u>
	<u>436,766</u>	<u>—</u>
Other receivables	691,636	408,941
Deposits with local real estate associations (Note c)	285,202	118,810
Deposits with labour department	6,097	9,304
Deposits with treasury bureau	<u>25,023</u>	<u>3,966</u>
	1,007,958	541,021
Prepaid business tax and surcharges	116,475	54,168
Prepayment for construction costs	40,164	24,945
Prepayment for land use rights	<u>187,037</u>	<u>848,607</u>
	<u>1,351,634</u>	<u>1,468,741</u>
Total	<u>1,788,400</u>	<u>1,468,741</u>

Trade receivables mainly arise from service income from reclamation of sea and sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements and credit term are generally not granted to customers.

The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

0 - 30 days	43,222	—
31 - 60 days	9	—
61 - 90 days	<u>1,035</u>	<u>—</u>
	<u>44,266</u>	<u>—</u>

Notes :

- (a) As at 31 December 2015, trade receivables of RMB35,966,000 (2014: Nil) were overdue but not impaired. These receivables relate to certain customers that are financially viable. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable.

The ageing analysis of these receivables is as follow:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	34,922	—
31-60 days	9	—
61-90 days	<u>1,035</u>	<u>—</u>
	<u>35,966</u>	<u>—</u>

- (b) Accrued contract revenue arises from the Group's sea reclamation service. As at 31 December 2015, the corresponding receivable balance is not yet billed.
- (c) The deposits with local real estate associations, mainly included deposits with Jinan Housing Repairment Fund Management Center (濟南市住房維修資金管理中心) in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects in Jinan.
- (d) The carrying amounts of trade receivables, other receivables, deposits and prepayments approximate their fair values due to their short maturities and are unsecured, interest-free and repayable on demand.
- (e) The carrying amounts of the Group's trade receivables and other receivables are all denominated in RMB.

8 Trade and other payables

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,448,599	1,305,160
Accruals and other payables	807,170	543,856
Land use right payable	678,023	—
Other tax payables	55,723	44,577
Salary payables	<u>1,248</u>	<u>1,339</u>
	<u><u>2,990,763</u></u>	<u><u>1,894,932</u></u>

The ageing analysis of the trade payables based on invoice date was as follows:

0-30 days	1,223,261	754,567
31-60 days	73,144	110,097
61-90 days	26,801	141,922
Over 90 days	<u>125,393</u>	<u>298,574</u>
	<u><u>1,448,599</u></u>	<u><u>1,305,160</u></u>

The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturity and are denominated in the following currencies:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
US\$	46,505	43,810
RMB	2,883,794	1,759,067
HK\$	<u>3,493</u>	<u>46,139</u>
	<u><u>2,933,792</u></u>	<u><u>1,849,016</u></u>

9 Earnings per share

The basic earnings per share for the year ended 31 December 2015 is calculated based on the profit attributable to the equity holders of the Company.

	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	<u>401,030</u>	<u>347,203</u>
Weighted average number of shares in issue	1,600,903,313	1,568,219,178
Adjustment for bonus element arising from the issuance of subscription shares	<u>33,300,849</u>	<u>—</u>
	<u>1,634,264,163</u>	<u>1,568,219,178</u>
Basic earnings per share (RMB cents)	<u>24.53</u>	<u>22.14</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding in both years presented.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2015 has been adjusted to reflect 175,804,661 ordinary shares issued upon placement on 29 December 2015.

10 Dividend

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend — Nil (2014: Nil) per share	—	—
Proposed final dividend — Nil (2014: RMB4 cents) per share	<u>—</u>	<u>64,000</u>
	<u>—</u>	<u>64,000</u>

The final dividend of RMB64,000,000 that related to the year ended 31 December 2014 was declared on 19 March 2015 and paid on 13 July 2015.

The directors do not recommend payment of any final dividend for the year ended 31 December 2015.

BUSINESS OVERVIEW

Overview

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has executed our multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As of today, the Group became an integrated developer with competitiveness and regional brand recognition. For 2014 and 2015, our revenue was RMB3,502.8 million and RMB3,378.2 million, respectively. And our profit for the year ended 31 December 2014 and 2015, attributable to equity holders of the Company was RMB347.2 million and RMB401.0 million, respectively.

The Group has consistently persisted in a prudent financial strategy to maintain a reasonable capital structure and gearing level. In 2015, the Group introduced Nanchang Municipal Public Real Estate Group Limited* (南昌市政公用房地產集團有限公司) (the “**Subscriber**”) as a strategic investor in a timely manner, thereby further improving its debt structure. As at 31 December 2014 and 2015, the Group’s cash and cash equivalents were RMB951.5 million and RMB1,689.1 million, respectively and the net gearing ratio was 42% and 23%, respectively.

Following the execution of the investment strategy of expansion into the first-tier cities and further development into the strategically targeted second-tier cities (大力拓展一線城市，深耕已進入的強二線城市), we have successfully established our presence in various key cities with high growth potential for development in the Pearl River Delta Region, the Yangtze River Delta Region, middle reaches of the Yangtze River and the Bohai Rim, including Shenzhen, Guangzhou, Shanghai, Hefei, Nanchang, Jinan, Yantai, Tianjin and so forth. The Group has been adhering to a flavourable strategy of forming alliance(s) with state-owned enterprise(s) with strong capabilities, to provide professional management experience and acquiring quality land through product quality and operational efficiency. The Group acquires land through a flexible combination of bidding, auction and listing-for-sale, the acquisition and merger of new projects and urban renewal so as to ensure that the Group has the ability to support its expansion and primary land development.

In an increasingly competitive environment of the real estate industry, the Group, on one hand, constantly optimises its product mix to meet the market demand with high return for its working capital. On the other hand, the Group effectively reduces its operation costs through meticulous cost control and the diversification of financing channels so as to maintain a steady enhancement of the Group’s overall competitiveness.

Following many years of establishing and strengthening the Group's brand, we believe that the Group has successfully established the "Redco" brand in the cities where we have put efforts in development:

- In 2015, the Group was recognised as "2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment" (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).
- In 2015, the Group received the "2015 Highest Growth Value Award" (2015最具成長價值獎" from China Finance Summit Organising Committee (中國財經峰會組委會).
- In 2015, the Group was recognised as one of the "2015 Top 100 PRC Real Estate Companies" in terms of overall strength (2015年中國房地產業綜合實力100強) by Chinese Real Estate Federation (中國房地產業聯合會), China Industry Information Statistics Association (中國行業信息統計協會) and the Centrechina.com (焦點中國網).
- The Group was recognised as one of "Top 100 PRC Real Estate Developers" by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院) for four consecutive years since 2010.
- In 2013, the Group was recognised as "2013 Top 10 Brands of South China Real Estate Companies" (2013中國華南房地產公司品牌價值TOP10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).

Our Property Development Projects

As at 31 December 2015, our property portfolio comprised 19 property development projects with an aggregate gross floor area (the “GFA”) of 3,777,243.6 square metres (the “sq.m.”) under various stages of development in various cities in the PRC. The following table sets forth a summary of our property development projects as at 31 December 2015:

Project	Site area ⁽¹⁾ (sq.m.)	Total GFA ⁽²⁾ (sq.m.)	Total GFA under various stage of development remaining unsold ⁽³⁾ (sq.m.)
NANCHANG			
Crown International 皇冠國際	53,673.2	271,040.4	—
Crowne Plaza Nanchang Riverside Hotel 力高皇冠假日酒店	4,636.7	57,986.8	57,986.8
Spain Standard 力高國際城	466,665.3	908,932.6	50,159.2
Riverside International 濱江國際	37,345.7	204,600.6	20,274.4
Bluelake County 瀾湖郡	135,285.0	286,794.7	214,904.3
Riverlake International 濱湖國際	68,373.0	205,846.3	175,053.5
Imperial Mansion 君御華府	41,994.5	109,826.6	109,826.6
Imperial Metropolis 君御都會	84,093.3	227,119.0	227,119.0
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,454,160.7
Land Lot Nos. A1 and A2	69,336.2	55,469.0	55,469.0
JINAN			
Redco International 力高國際	54,162.0	226,076.9	19,395.2
Splendid the Legend 盛世名門	51,675.2	205,813.6	9,265.8
Scenery Holiday 假日麗景	34,934.9	87,545.2	1,789.4
Bluelake County⁽⁴⁾ 瀾湖郡	68,066.0	237,534.7	237,534.7

Project	Site area⁽¹⁾ <i>(sq.m.)</i>	Total GFA⁽²⁾ <i>(sq.m.)</i>	Total GFA under various stage of development remaining unsold⁽³⁾ <i>(sq.m.)</i>
YANTAI Sunshine Coast - Phase I 陽光海岸第一期	51,693.7	186,470.8	186,470.8
HEFEI Mix Kingdom Redco 力高●共和城	395,596.4	871,735.3	317,972.9
Prince Royal Family 君御世家	88,025.5	299,699.5	299,699.5
XIANYANG Royal City - Phsae I 御景灣-第一期	69,466.8	237,012.8	162,521.8
SHENZHEN Royal International 君御國際	33,035.3	177,640.0	<u>177,640.0</u>
TOTAL			<u><u>3,777,243.6</u></u>

1. Information for “Site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. “Total GFA” is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. “Total GFA under various stages of development remaining unsold” include the GFA of the completed projects remaining unsold, GFA of project under development and the GFA of projects for future development.
4. On 22 October 2015, the Group entered into a land grant contract relating to a new project in Jinan given that the Group won that the public tender. The total GFA remaining unsold included the area for residential properties, commercial properties, carparks, civil air defense carpark and ancillary. The total consideration for such acquisition is RMB321.1 million.

Financial Review

Revenue

Our revenue decreased by 3.6% to RMB3,378.2 million for the year ended 31 December 2015 from RMB3,502.8 million for the year ended 31 December 2014. This decrease was primarily due to a 16.8% decrease in our GFA delivered to 434,709 sq.m. for the year ended 31 December 2015 from 522,323 sq.m. for the year ended 31 December 2014. The decrease in our GFA delivered was primarily due to the decrease in GFA delivered for Redco International in Jinan, Mix Kingdom Redco, partially offset by an increase in the GFA delivered for Bluelake County in Nanchang and Sunshine Coast in Tianjin. Our recognised average selling price (the “ASP”) for properties delivered increased to RMB6,828 for the year ended 31 December 2015 from RMB6,706 for the year ended 31 December 2014. The increase in our recognised ASP for properties delivered was primarily due to the increase in the revenue attributable to Bluelake County in Nanchang.

The following table sets out a breakdown of the Group’s revenue, GFA delivered and recognised ASP by geographical segments:

	For the year ended 31 December					
	2015 Revenue (RMB'000)	2014	2015 GFA Delivered (sq.m.)	2014	2015 Recognised ASP (RMB per sq.m.)	2014
Greater Western Taiwan Straits Economic Zone	1,899,987	1,578,227	255,043	214,298	7,450	7,365
Central and Western Regions	599,452	715,864	118,087	155,549	5,076	4,602
Bohai Economic Rim - Primary land development*	392,500	—	—	—	—	—
- Properties sale	468,537	1,208,713	61,579	152,476	7,609	7,927
Pearl River Delta Region	—	—	—	—	—	—
Others	17,741	—	—	—	—	—
Subtotal	<u>3,378,217</u>	<u>3,502,804</u>	<u>434,709</u>	<u>522,323</u>	<u>6,828</u>	<u>6,706</u>

* Primary land development represents the sea reclamation works in Tianjin.

A summary of our segment results is set forth below:

- **Greater Western Taiwan Straits Economic Zone:** Our segment revenue for the Greater Western Taiwan Straits Economic Zone increased by 20.4% to RMB1,900.0 million for 2015 from RMB1,578.2 million for 2014. The increase was primarily attributable to the increase in GFA delivered for Bluelake County in Nanchang, a property development project for which we began to recognise revenue from sales in 2015, partially offset by the decrease in GFA delivered for Riverside International in Nanchang.
- **Central and Western Regions:** Our segment revenue for the Central and Western Regions decreased by 16.3% to RMB599.5 million for 2015 from RMB715.9 million for 2014. The decrease was primarily due to the decrease in the GFA delivered for Mix Kingdom Redco in Hefei.
- **Bohai Economic Rim:** Our segment revenue for the Bohai Economic Rim decreased by 28.8% to RMB861.0 million for 2015 from RMB1,208.7 million for 2014. The decrease was attributable to the decrease in GFA delivered for Redco International in Jinan, partially offset by the increase in GFA delivered for Sunshine Coast and the income generated from the sea reclamation works in Tianjin.
- **Pearl River Delta Region:** There was only one project in this region during the year which is still under development. There was no revenue for the two years ended 31 December 2014 and 2015.
- **Others:** It mainly represents our headquarters at Shenzhen and the revenue generated from the property management business which the Group acquired in January 2015.

Cost of sales

Cost of sales decreased by 10.4% to RMB2,290.0 million for 2015 from RMB2,556.5 million for 2014. This decrease was primarily due to the decrease in cost of properties sold as a result of the decrease in GFA delivered to 434,709 sq.m. for 2015 from 522,323 sq.m. for 2014, partially offset by (i) the decrease in average land costs per sq.m. delivered to RMB917 for 2015 from RMB1,004 for 2014; and (ii) the decrease in average construction costs per sq.m. delivered to RMB3,062 for 2015 from RMB3,366 for 2014.

The decrease in average land costs per sq.m. delivered was primarily due to the decrease in the GFA delivered for Redco International in Jinan with a relatively high land acquisition costs in 2015. The higher construction cost of Redco International in Jinan is mainly due to additional insulation works that need to be done for the outside walls of the residential properties in the cities throughout North China.

Gross profit

Gross profit increased by 15.0% to RMB1,088.2 million for 2015 from RMB946.3 million for 2014. Our gross profit margin increased to 32.2% for 2015 from 27.0% for 2014. This increase was primarily attributable to the higher gross profit margin for Spain Standard in Nanchang and the sea reclamation works in Tianjin in 2015.

Other gains/(losses), net

Other gains increased to RMB31.5 million for 2015 from a loss of RMB20.3 million for 2014. The other gains were primarily attributable to the exchange gains of RMB27.4 million in 2015 and exchange loss of RMB17.9 million in 2014.

Selling and marketing expenses

Selling and marketing expenses increased by 32.4% to RMB109.6 million for 2015 from RMB82.8 million for 2014. Selling and marketing expenses mainly represent the promotion of our properties. This increase was primarily due to the increase in the marketing promotion activities for the projects which has commenced, or will commence, sales in 2015 and 2016. The ratio of selling and marketing expenses to contracted sales of the Group slightly increased to 2.7% for 2015 from 2.6% for 2014.

General and administrative expenses

General and administrative expenses increased by 37.1% to RMB169.9 million for 2015 from RMB123.9 million for 2014. This increase was primarily due to the increase in employee benefit expenses and the share based payment expenses due to the issue of shares of the Company (the “**Shares**”) in December 2015. The general and administrative expenses as a percentage of revenue increased to 5.0% for 2015 from 3.5% for 2014.

Impairment of goodwill

Impairment of goodwill increased by 7.7% to RMB26.6 million for 2015 from RMB24.7 million for 2014. Such goodwill represents certain premium paid in connection with our acquisition of an 80.0% equity interest in Changfeng Lianhua Real Estate Co., Ltd., which holds Mix Kingdom Redco in Hefei and 100% equity interest in Jiangxi Hengfeng Property Services Co. Ltd., which is engaged in the property management business.

Operating profit

As a result of the above, our operating profit increased by 17.2% to RMB813.7 million for 2015 from RMB694.4 million for 2014.

Finance income

Finance income decreased by 12.2% to RMB15.1 million for 2015 from RMB17.2 million for 2014. This decrease was primarily attributable to the decrease in interest income from bank deposits since the Group held lower average cash balances during the year.

Finance costs

Finance costs increased by 17.2% to RMB3.4 million for 2015 from RMB2.9 million for 2014 which mainly due to a 54.1% increase in the interest of the loan being capitalised in the properties under development, partially offset by the 53.7% increase in the interest expense due to the increase in borrowing during the year.

Share of loss of a joint venture

Share of loss of a joint venture decreased by 22.6% to RMB4.1 million for 2015 from RMB5.3 million for 2014. The decrease was primarily due to the decrease in share of loss related to Redco Industry (Jiangxi) Co., Ltd., which holds the Crowne Plaza Nanchang Riverside Hotel in Nanchang, as a result of the improved performance of its hotel operations.

Profit before income tax

As a result of the above, profit before income tax increased by 16.7% to RMB821.3 million for 2015 from RMB703.5 million for 2014.

Income tax expense

Income tax expense increased by 31.2% to RMB427.6 million for 2015 from RMB325.8 million for 2014. The increase was primarily due to an increase in EIT as a result of increase in profit before tax, an increase in LAT as a result of the higher gross profit margin. The increase in the effective tax rate to 52.1% for 2015 from 46.3% for 2014 was primarily attributable to the increase in LAT provision and LAT paid to RMB149.8 million for 2015 from RMB87.3 million for 2014, which was mainly due to the relatively higher average gross profit achieved from the sales of the property development projects in 2015.

Profit for the year

As a result of the above, profit for the year increased slightly by 4.2% to RMB393.6 million for 2015 from RMB377.7 million for 2014. The profit for the year mainly arose from the profit in Greater Western Taiwan Straits Economic Zone for RMB361.8 million, Central and Western Regions for RMB63.9 million, Bohai Economic Rim for RMB124.6 million, partially offset by the loss in Pearl River Delta Region for RMB32.4 million and Others segment for RMB124.2 million.

Profit for the year attributable to the equity holders of the Company

As a result of the above, profit for the year attributable to equity holders of the Company increased by 15.5% to RMB401.0 million for 2015 from RMB347.2 million for 2014. Profit attributable to non-controlling interests decreased by 124.3% to a loss of RMB7.4 million for 2015 from RMB30.5 million for 2014 as we shared the profit for 2014 from the GFA delivered for Mix Kingdom Redco in which we hold a 80% equity interest, whereas for 2015, most of our loss comes from those projects in which we have 100% equity interest.

Liquidity and Capital Resources

Cash position

The Group had cash and cash equivalents of approximately RMB1,689.1 million (2014: RMB951.5 million) and restricted cash of RMB668.8 million (2014: RMB355.4 million) as at 31 December 2015. As at 31 December 2015, the Group's cash and cash equivalents were denominated in the Hong Kong dollar (“**HK\$**”), RMB and the United States dollar (“**US\$**”).

Capital Structure

During the year ended 31 December 2015, the Group managed to strength its capital base through equity financing exercise. On 29 December 2015, the Group raised aggregate net proceeds of HK\$778.3 million by way of subscription of 175,804,661 new ordinary shares of the Company (the “**Subscription Shares**”) by 南昌市政公用房地產集團有限公司 (Nanchang Municipal Public Real Estate Group Limited*) under specific mandate, at a subscription price of HK\$4.43 per Subscription Share, representing a discount of approximately 16.10% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 30 October 2015, being the last trading day immediately prior to the date of the subscription agreement. The aggregate nominal value of the Subscription Shares amounted to HK\$17,580,466.10. The net subscription price amounted to approximately HK\$4.43 per Subscription Share. Apart from raising additional funds, such subscription enables the Company to

leverage on the networks of the Subscriber for the development of the Company's business and enhancement of the Company's market competitiveness. To the best knowledge of the Directors, the Subscriber is an integrated group principally engaged in real estate development and sales, municipal infrastructure, landscape engineering and provision of exhibition services and, as at the date of this announcement, held a 49% equity interest in 江西政力房地產開發有限公司 (Jiangxi Zhengli Property Development Co., Ltd.*), an indirect non wholly-owned subsidiary of the Company.

It is expected that approximately 90% of such net proceeds is intended to be used for development of new projects and approximately 10% is intended to be used as working capital of the Group for general corporate purposes. For further details of such subscription, please refer to the circular of the Company dated 10 December 2015. As at 31 December 2015, such proceeds have not been utilised by the Group.

Borrowings

The Group had borrowings of approximately RMB3,220.5 million (2014: RMB2,761.4 million) as at 31 December 2015. The following table sets out the maturity profile of the Group's borrowings as at the dates indicated.

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
- Within 1 year	265,252	538,219
- Between 1 and 2 years	1,179,494	1,211,001
- Between 2 and 5 years	<u>1,775,794</u>	<u>1,012,224</u>
	<u>3,220,540</u>	<u>2,761,444</u>

As at 31 December 2015, the Group's bank borrowings were denominated in RMB, HK\$ and US\$.

To further diversify the Company's financing channels, the Company as borrower entered into a facility agreement with a group of financial institutions as lenders on 13 March 2015, pursuant to which the lenders have agreed to make available to the Company a US\$ denominated transferrable term loan facility in an aggregate amount of US\$65 million, with a term of 36 months from the date of such agreement and an interest rate equal to LIBOR plus 4.50% per annum. Such loan facility was subsequently increased to US\$75 million following the participation of an acceded lender on 6 May 2015.

On 23 December 2015, the Company completed the consent solicitation and obtained requisite consents from holders of its 13.75% senior notes due 2019 to certain proposed amendments to the provisions set out in the indentures which gives the Company greater flexibility to pursue business opportunities and implement its business plans in the future.

As at 31 December 2015, the Group is exposed to foreign exchange risk primarily with respect to certain of its bank borrowings and senior notes which were denominated in HK\$ and US\$. RMB experienced certain fluctuation against HK\$ and US\$ during the year 2015 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

Other performance indicators

Net gearing ratio

As at 31 December 2015, the Group's net gearing ratio was 23% (2014: 42%). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 31 December 2015, the Group's net current assets amounted to approximately RMB5,518.3 million (2014: RMB4,008.6 million). The Group's current ratio, calculated as current assets divided by current liabilities, was approximately 1.7 times (2014: 1.8 times).

Cost of borrowings

The Group's average annual cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average borrowings during the relevant year) was 9.6% per annum in 2015 as compared with 9.2% per annum in 2014.

Contingent Liabilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>3,409,724</u>	<u>2,801,078</u>

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchases is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2014 and 2015. The Directors consider that the subsidiaries are able to sufficiently financially resourced to settle their obligations.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2014 and 2015.

Charge over assets

As at 31 December 2015, the Group had aggregate banking facilities of approximately RMB3,463.0 million (2014: RMB2,119.2 million) for overdrafts, bank loans and trade financing. The Group had unused facilities of approximately RMB545.0 million as at 31 December 2015 (2014: RMB105.0 million).

These facilities were secured by certain properties under development held for sale and certain restricted cash provided by the Company's subsidiaries.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

- (a) on 5 January 2015, 深圳力高宏業地產開發有限公司 (Shenzhen Redco Hongye Property Development Co., Ltd.), a wholly-owned subsidiary of the Company, entered into a cooperation framework agreement with Shenzhen Pinghu Joint Stock Corporation* (深圳市平湖股份合作公司), pursuant to which both of the parties agreed to cooperate in the implementation of an urban renewal project (城市更新項目) at Jiangjunling in Longgang District, Shenzhen, the PRC (the "**Hongye Project**"). The land of the Hongye Project is located at the northeast corner of the juncture of Pinghu Avenue and Feng'an Road in Longgang District, Shenzhen, with a total site area of approximately 70,000 sq.m. As at 31 December 2015, the Hongye Project has not yet commenced. For further details, please refer to the announcement of the Company dated 5 January 2015. As at the date of this announcement, the Board remains positive on the prospects of the above investments. It is expected that the above investments will facilitate the Group's development in Shenzhen.
- (b) on 7 August 2015, 深圳市力高大道置業有限公司 (Shenzhen Redco Dadao Real Estate Co., Ltd.*), ("**Shenzhen Redco**") an indirect non-wholly owned subsidiary of the Company, as the purchaser and an independent third party as the vendor, among others, entered into a cooperation framework agreement pursuant to which, Shenzhen Redco agreed to purchase, and such vendor agreed to sell, 70% equity interest in 深圳市泰富華悅都會置業有限公司 (Shenzhen Topfar Yueduhui Property Co., Ltd.*) ("**Shenzhen Topfar**") and saleable properties in respect of the development of a parcel of land in Ping Shan New District in Shenzhen and their ancillary facilities (other than the returnable properties) at a consideration of approximately RMB466 million (approximately HK\$582 million), subject to adjustments. Upon completion of the said acquisition, Shenzhen Topfar will become an indirect non-wholly owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 7 August 2015. As at the date of this announcement, such acquisition is not yet completed as certain conditions precedent of such framework agreement had not been satisfied.
- (c) on 22 October 2015, the Group had acquired a parcel of land in Jinan. Please refer to page 21 of this announcement for further details.

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2015. Further, the Group will continue to purchase land located at the strategically selected cities, if thought fit. It is expected that the internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Group did not have any future plans for significant investments or capital assets as at the date of this announcement.

Important events affecting the Group after the reporting period

In February 2016, 天津力高盛業有限公司 (Tianjin Redco Shengye Investment Company Limited*) (“**Redco Shengye**”), a subsidiary of the Company, as the purchaser acquired the 100% equity interest of 上海明昌置業有限公司 (Shanghai Mingchang Property Co., Ltd.*) at approximately RMB415.5 million (“**Shanghai Mingchang**”) from two parties independent from the Company and its connected persons (the “**Independent Third Parties**”). Subsequent to such completion, two Independent Third Parties collectively acquired 40% equity interest in Redco Shengye by way of injecting capital to Redco Shengye. As at the date of this announcement, Shanghai Mingchang was indirectly owned as to 60% by the Group and 40% by the two subscribers, respectively. Shanghai Mingchang is principally engaged in property development in the PRC and holds a parcel of land in the Wujiaochang, Yangpu District, Shanghai, China with a total site area and the total GFA of approximately 9,941 sq.m. and 52,357 sq.m., respectively. Such parcel of land is planned for developing commercial properties.

On 17 March 2016, the Group acquired 51% equity interest of Nanchang Guogao Property Development Co., Ltd.* (南昌國高房地產置業有限公司) (“**Nanchang Guogao**”) by way of injecting capital of RMB117.3 million to Nanchang Guogao. As at the date of this announcement, Nanchang Guogao was held as to 51% by the Group and 49% by a third party independent from the Company and its connected persons. Contract of grant of land use rights was entered into and modified by, among others, Nanchang Municipal Bureau of Land and Resources (南昌市國土資源局) and Nanchang Guogao as a result of a successful bid of the state-owned land use rights in respect of the parcel of land situated at East of Hongduda Road of Donghu District (東湖區洪都大道以東), West of Qingshanzhi Road (青山支路以西) and North of the Qingshan South Road (青山南路以北), Nanchang, the PRC (the “**Land**”) at the consideration of approximately RMB455.5 million. As at the date of this announcement, balance of such consideration, being RMB227.7 million shall be payable by Nanchang Guogao before 30 December 2016. The Land covers a total site area and gross floor area of approximately 47,151 sq. m. and 150,883.2 sq. m. with a plot ratio ranging from 1 to 3.2 and is planned for commercial and residential use for a term of 40 years and 70 years, respectively.

Save as disclosed above, no other important events affecting the Group has taken place since 31 December 2015 and up to the date of this announcement.

Outlook

Within the next five years, the Group aims to (i) be one of the top 100 real estate developers in the PRC with better performance; and (ii) become an integrated developer with regional brand recognition and leading market shares in the cities where we have put efforts in development. We believe that we can achieve the aforesaid objectives by adhering to the following strategies:

- adhere to the strategy of intensively developing cities and continue to best capture the business opportunities in first tier cities, including Shenzhen, Shanghai and Guangzhou by way of diversified land acquisition strategies to gradually increase our market share and strengthen our brand; further develop the strategically selected second tier cities to expand the coverage of projects and brand influence. The Group intends to insist on carefully studying the growth potential of land and carries out acquisitions at competitive costs. We will continue to prioritise our financial resources towards the opportunities which could maximise our profit. Meanwhile, the Group may also make strategic investment and acquisitions that could complement our operations as part of our expanding investment.
- adhere to a prudent financial strategy and continue to diversify financing channels.
- adhere to projects with high-return for the Group's working capital; rapidly enhance the overall competitiveness of the Group through reasonably adjusting the land bank structure reasonably, reinforcing the front-end decision making, effectively increasing the pace of development and construction and implementing meticulous cost control on the basis of sales with collectible payment. We believe through this, the price premium of the Group in the land market and the sales market will be significantly enhanced.
- adhere to product line research and development and innovation to increase product competitiveness; focus on the development of residential properties with a rigid demand for quality and the need for improvement, complemented with our business assets in communities according to 80-20 rule so as to have complementary development of residential and commercial properties; synchronously implement commercial property product line research and development in order to have an optimal and diversified portfolio. We believe that such diversification of our product mix will enhance our ability to expand and will enable us to effectively respond to any macro-economic policy affecting the PRC residential property sector.

- persist in forming alliance(s) with the partner(s) with strong capacities that could complement each other; we believe that the leveraging on the ability of its partner(s) in land acquisitions and financing costs, coupled with the Group’s professional management experience and operational efficiency would create the win-win situation for the Group and its partner(s).
- continue to reinforce the Group’s brand building. We intend to:
 - adhere to provide quality products to enhance brand awareness and influence in cities;
 - focus on the innovative products by adopting a customer-oriented approach with a view to providing customers with excellent value;
 - strive to develop landmark properties by adhering to an approach to provide quality products;
 - effectively make use of the big data to fully leverage on the Internet platform, to have innovative promotion channels and strategies and to attract potential large customers;
 - innovate scope of the property service to increase customers’ loyalty with quality services;
- continue to enhance the policy of human resources, enhance and improve the performance and incentive system.

Employees and Remuneration Policies

As at 31 December 2015, the Group had a total of approximately 642 employees (2014: 653 employees). The remuneration of the employees (including directors’ emoluments) amounted to approximately RMB111.1 million for the year ended 31 December 2015 (2014: RMB64.1 million). Remuneration of the Group’s employees includes basic salaries, allowances, bonus and other employee benefits. The Group’s remuneration policy for its Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted the share option scheme on 14 January 2014. Further information of such share option scheme will be available in the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”). The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2015.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: RMB64 million).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 24 June 2016, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 June 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 December 2015.

THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

During the year ended 31 December 2015, the Company complied with the code provisions of the CG Code with the exception of code provision A.2.1 as addressed in the annual report of the Company for the year ended 31 December 2014.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year ended 31 December 2015. Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year ended 31 December 2015.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2015.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2015 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The 2015 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Redco Properties Group Limited
Huang Ruoqing
Executive Director

Hong Kong, 17 March 2016

As at the date of this announcement, the executive Directors are Mr. Huang Ruoqing, Mr. Tang Chengyong, Mr. Hong Duxuan; and the independent non-executive Directors are Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP.

** For identification purpose only*